

**WOODLAND HILLS CITY, UTAH
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORTS
YEAR ENDED JUNE 30, 2005**

WOODLAND HILLS CITY, UTAH

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**GREG OGDEN, CPA
1761 EAST 850 SOUTH
SPRINGVILLE, UT 84663
(801)489-8408**

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

November 28, 2005

**Honorable Mayor
Members of the City Council
Woodland Hills City, Utah**

Council Members:

I have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund which collectively comprise the basic financial statements of Woodland Hills City, Utah (City) as of and for the year ended June 30, 2005, as listed in the table of contents. These financial statements are the responsibility of the City's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, and each major fund of the City at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, of those activities and funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated November 28, 2005 on my consideration of Woodland Hills City, Utah's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

Management's discussion and analysis and the budgetary comparison information are not a required part of the basic financial statements, but are supplementary information required by the accounting principles generally accepted in the United State of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.


Greg Ogden,
Certified Public Accountant

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This document is a narrative overview and analysis of the financial activities of The City of Woodland Hills, Utah (Woodland Hills City) for the fiscal year ending June 30, 2005. We encourage readers to consider the information presented here in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The total net assets of Woodland Hills City increased by \$272,402 to \$7,064,446. The governmental net assets increased by \$211,663 and the business-type assets increased by \$60,739.
- The total net assets of governmental and business-type activities is \$7,064,446, and is made up \$5,948,237 invested in capital assets, net of related debt, such as land, infrastructure and equipment, and \$1,116,209 in other net assets. The \$1,116,209 in other net assets is made up of \$17,848, which is restricted for Capital Projects in the General Fund, \$71,845 that is reserved for water system capital projects; \$17,904 is restricted for debt service primarily for improvements to our water system. The remaining \$1,008,612 is unrestricted assets.
- Long term liabilities decreased by \$96,540 primarily due to early payoff of the 1991 water bond. Another key factor in the decrease was not incurring new bonds.

REPORTING THE CITY AS A WHOLE

This discussion and analysis is intended to serve as an introduction to Woodland Hills City's basic financial statements. Woodland Hills City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements. This report also includes other supplementary information in addition to the basic financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of Woodland Hills City's finances, in a manner similar to the private sector business.

- ***The statement of net assets*** presents information on all of Woodland Hills City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Woodland Hills City is improving or deteriorating. However, you will also need to consider other non-financial factors.

- *The statement of activities* presents information showing how the City's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Both of the government-wide financial statements distinguish functions of Woodland Hills City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The government wide financial statements can be found on pages 9-11 of this report.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Woodland Hills City also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

- **Governmental Funds** – These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government and operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.

- The only major governmental funds (as determined by generally accepted accounting principals) are the General Fund, Capital Projects Fund, and the Road Capital Projects Fund.

- **Proprietary funds** – Woodland Hills City maintains one type of proprietary fund, the enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Woodland Hills City uses an enterprise fund to account for its Culinary Water Utility. As determined by generally accepted accounting principles, the culinary water enterprise fund meets the criteria for major fund classification.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Woodland Hills City, assets exceeded liabilities by \$7,064,446.

Woodland Hills City Net Assets

	Governmental Activities		Business-type Activities	
	2003-2004	2004-2005	2003-2004	2004-2005
Assets				
Current and other assets	\$ 853,027	\$ 916,254	\$ 287,867	\$ 297,271
Capital assets	5,046,460	5,048,014	1,919,921	1,850,425
Total Assets	<u>5,899,487</u>	<u>5,964,268</u>	<u>2,207,788</u>	<u>2,147,696</u>
Liabilities				
Current and other liabilities	216,050	69,168	55,298	31,007
Long-term debt outstanding	-	-	1,043,883	947,343
Total Liabilities	<u>216,050</u>	<u>69,168</u>	<u>1,099,181</u>	<u>978,350</u>
Net Assets				
Invested in capital assets net of related debt	5,046,460	5,048,014	876,038	900,223
Restricted	76,112	17,848	201,725	89,749
Unrestricted	560,865	829,238	30,844	179,374
Total Net Assets	<u>\$ 5,683,437</u>	<u>\$ 5,895,100</u>	<u>\$ 1,108,607</u>	<u>\$ 1,169,346</u>

Woodland Hills City Changes in Net Assets

	Governmental Activities		Business-type Activities	
	2003-2004	2004-2005	2003-2004	2004-2005
Revenue				
Program Revenues				
Charges for services	\$ 225,572	\$ 158,081	\$ 256,317	\$ 259,962
Operating grants & contributions	16,511	380	-	-
Capital grants & contributions	53,687	45,752	300,620	53,578
General Revenues				
Property tax	92,971	140,667	-	-
Sales and use tax	88,174	87,301	-	-
Franchise tax	46,943	51,708	-	-
State liquor tax	300	-	-	-
Unrestricted investment earnings	11,015	18,687	3,543	6,519
Miscellaneous	-	7,595	-	-
Total Revenues	<u>535,173</u>	<u>510,171</u>	<u>560,480</u>	<u>320,059</u>
Expenses				
General government	115,248	129,229	-	-
Public safety	154,329	133,241	-	-
Highways & public works	148,304	149,312	-	-
Water utility	-	-	235,414	259,320
Total Expenses	<u>417,881</u>	<u>411,782</u>	<u>235,414</u>	<u>259,320</u>
Increase in Net Assets	117,292	98,389	325,066	60,739
Net Assets - Beginning (restated)	5,566,145	5,683,437	783,541	1,108,607
Prior Period Adjustments	-	113,274	-	-
Net Assets - Ending	<u>\$ 5,683,437</u>	<u>\$ 5,895,100</u>	<u>\$ 1,108,607</u>	<u>\$1,169,346</u>

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. As of the June 30, 2005, the City's governmental funds (General, Capital Projects, and Debt Service) reported combined fund equity of \$729,723. The General Fund is the chief operating fund of the City. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to maintain a matching of revenues and expenses are accounted for in this fund.

Tax revenues continue to be the largest source of revenue in the General Fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets – Woodland Hills City's investment in capital assets for its governmental and business-type activities as of June 30, 2005, amounts to \$6,898,439 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, infrastructure (streets, rock-line ditches, etc), and machinery and equipment. The total increase in the City's investment in fixed assets for the current year was \$76,599.

Major capital asset events during the current fiscal year include the following:

- Start of new mailboxes facility
- Approval of fire station

WOODLAND HILLS CITY'S CAPITAL ASSETS

	Governmental Activities		Business-type Activities	
	2003-2004	2004-2005	2003-2004	2004-2005
Capital Assets not being Depreciated				
Land	\$ 3,459,151	\$ 3,459,151	\$ 68,198	\$ 68,198
Water Shares and rights	-	-	319,754	319,754
Construction in progress	-	6,261	-	-
Capital Assets being Depreciated				
Buildings and structures	216,397	216,397	-	-
Improvements and infrastructure	1,992,552	2,006,215	2,558,635	2,575,711
Machinery and equipment	97,355	136,954	-	-
Total Capital Assets	5,765,455	5,824,978	2,946,587	2,963,663
Less Accumulated Depreciation	(718,995)	(776,964)	(1,026,666)	(1,113,238)
Net Capital Assets	\$ 5,046,460	\$ 5,048,014	\$ 1,919,921	\$ 1,850,425

Long-term debt- At June 30, 2005, Woodland Hills City had total debt outstanding of \$947,343. The majority of Woodland Hills City's long term, \$717,000, is debt secured solely by specific revenue sources (i.e., revenue bonds within the Enterprise Funds).

WOODLAND HILLS CITY'S OUTSTANDING DEBT

	Governmental Activities		Business-type Activities	
	2003-2004	2004-2005	2003-2004	2004-2005
Capital Lease	\$ -	\$ -	\$ 256,125	\$ 230,343
Revenue Bonds	-	-	787,758	717,000
Total Outstanding Debt	\$ -	\$ -	\$ 1,043,883	\$ 947,343

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Woodland Hills will complete a major renovation on their fire station, complete a new central mailbox center, and purchase a new brush fire truck (which will be paid back by the Woodland Hills Property Owners Association). These large projects are reflected in the 2005-2006 budget cycle.

The unemployment rate in Utah County, Utah for calendar year 2004 was 3.6%. Statewide the unemployment rate was 4.7%, compared with a national unemployment rate of 5.5%.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Woodland Hills City's finances for all those with an interest in the City's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to:

City of Woodland Hills
Attn: Financial Director
200 S. Woodland Hills Drive
Woodland Hills, Utah 84653

BASIC FINANCIAL STATEMENTS

WOODLAND HILLS CITY, UTAH
STATEMENT OF NET ASSETS
JUNE 30, 2005

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 684,983	\$ 230,129	\$ 915,112
Accounts Receivable	157,116	33,700	190,816
Internal Balances	<u>56,307</u>	<u>(56,307)</u>	<u>-</u>
TOTAL CURRENT ASSETS	<u>898,406</u>	<u>207,522</u>	<u>1,105,928</u>
NONCURRENT ASSETS			
Restricted Assets			
Cash and Cash Equivalents	17,848	89,749	107,597
Capital Assets			
Non Depreciable	3,465,412	387,952	3,853,364
Depreciable Assets (net of Depreciation)	<u>1,582,602</u>	<u>1,462,473</u>	<u>3,045,075</u>
TOTAL NONCURRENT ASSETS	<u>5,065,862</u>	<u>1,940,174</u>	<u>7,006,036</u>
TOTAL ASSETS	<u>5,964,268</u>	<u>2,147,696</u>	<u>8,111,964</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable and Accrued Liabilities	<u>69,168</u>	<u>31,007</u>	<u>100,175</u>
TOTAL CURRENT LIABILITIES	<u>69,168</u>	<u>31,007</u>	<u>100,175</u>
NONCURRENT LIABILITIES			
Due Within One Year	-	27,842	27,842
Due in more than One Year	<u>-</u>	<u>919,501</u>	<u>919,501</u>
TOTAL NONCURRENT LIABILITIES	<u>-</u>	<u>947,343</u>	<u>947,343</u>
TOTAL LIABILITIES	<u>69,168</u>	<u>978,350</u>	<u>1,047,518</u>
NET ASSETS			
Investment in Capital Assets, Net of Related Debt	5,048,014	900,223	5,948,237
Restricted for			
Debt Service	-	17,904	17,904
Capital Projects	17,848	71,845	89,693
Unrestricted	<u>829,238</u>	<u>179,374</u>	<u>1,008,612</u>
TOTAL NET ASSETS	<u>\$ 5,895,100</u>	<u>\$ 1,169,346</u>	<u>\$ 7,064,446</u>

See the accompanying notes to the financial statements

WOODLAND HILLS CITY, UTAH

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2005

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and	Grants and
			Contributions	Contributions
<u>FUNCTIONS/PROGRAMS</u>				
Governmental Activities				
General Government	\$ 129,229	\$ 108,572	\$ -	\$ -
Public Safety	133,241	1,202	380	2,730
Highways and Public Works	149,312	48,307	-	43,022
Total Governmental Activities	411,782	158,081	380	45,752
Business-type Activities				
Water	259,320	259,962	-	53,578
Total Business-type Activities	259,320	259,962	-	53,578
TOTAL PRIMARY GOVERNMENT	\$ 671,102	\$ 418,043	\$ 380	\$ 99,330

General Revenues

Property Taxes

Vehicle Taxes

Sales Taxes

Franchise Taxes

Unrestricted Investment Earnings

Miscellaneous

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning

Prior Period Adjustments

Net Assets - Ending

See the accompanying notes to the financial statements

Net (Expense) Revenue and Changes in Net Assets

Primary Government

Governmental Activities	Business-type Activities	Total
\$ (20,657)	-	\$ (20,657)
(128,929)	-	(128,929)
<u>(57,983)</u>	<u>-</u>	<u>(57,983)</u>
<u>(207,569)</u>	<u>-</u>	<u>(207,569)</u>
<u>-</u>	<u>54,220</u>	<u>54,220</u>
<u>-</u>	<u>54,220</u>	<u>54,220</u>
<u>(207,569)</u>	<u>54,220</u>	<u>(153,349)</u>
128,372	-	128,372
12,295	-	12,295
87,301	-	87,301
51,708	-	51,708
18,687	6,519	25,206
<u>7,595</u>	<u>-</u>	<u>7,595</u>
<u>305,958</u>	<u>6,519</u>	<u>312,477</u>
98,389	60,739	159,128
5,683,437	1,108,607	6,792,044
<u>113,274</u>	<u>-</u>	<u>113,274</u>
<u>\$ 5,895,100</u>	<u>\$ 1,169,346</u>	<u>\$ 7,064,446</u>

WOODLAND HILLS CITY, UTAH

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2005

	Governmental-type Activities			Total
	General	Capital Projects	Road Capital Projects	Governmental Funds
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 132,901	\$ 552,082	\$ -	\$ 684,983
Restricted Cash	17,848	-	-	17,848
Accounts Receivable	5,702	-	-	5,702
Taxes Receivable	142,122	-	-	142,122
Class C Road Receivable	9,292	-	-	9,292
Interfund Note Receivable	56,307	-	-	56,307
TOTAL ASSETS	\$ 364,172	\$ 552,082	\$ -	\$ 916,254
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts Payable	\$ 36,934	\$ 4,534	\$ -	\$ 41,468
Developer Bonds Payable	27,700	-	-	27,700
Deferred Revenue	117,363	-	-	117,363
TOTAL LIABILITIES	181,997	4,534	-	186,531
FUND BALANCE				
Reserved				
Class C Roads	17,848	-	-	17,848
Capital Projects	-	547,548	-	547,548
Unreserved	164,327	-	-	164,327
TOTAL FUND EQUITY	182,175	547,548	-	729,723
TOTAL LIABILITIES AND FUND EQUITY	\$ 364,172	\$ 552,082	\$ -	\$ 916,254

See the accompanying notes to the financial statements

WOODLAND HILLS CITY, UTAH
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005

TOTAL GOVERNMENTAL FUNDS BALANCES **\$ 729,723**

*Amounts reported for governmental activities in the statement of
net assets are different because*

Capital assets used in governmental activities are not current financial
resources and, therefore, are not reported in the funds **5,048,014**

Other long-term assets are not available to pay for current-period
expenditures and, therefore, are deferred in the funds **117,363**

TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ 5,895,100**

See the accompanying notes to the financial statements

WOODLAND HILLS CITY, UTAH

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2005

	Governmental-type Activities			Total Governmental Funds
	General	Capital Projects	Road Capital Projects	
REVENUES				
Taxes	\$ 264,967	\$ -	\$ -	\$ 264,967
Licenses and Permits	60,442	-	-	60,442
Intergovernmental	46,132	-	-	46,132
Charges for Services	97,639	-	-	97,639
Interest	5,573	11,459	1,655	18,687
Miscellaneous	7,595	-	-	7,595
TOTAL REVENUES	482,348	11,459	1,655	495,462
EXPENDITURES				
General Government	127,560	6,261	-	133,821
Public Safety	123,417	-	-	123,417
Highways and Public Works	144,028	5,117	6,953	156,098
TOTAL EXPENDITURES	395,005	11,378	6,953	413,336
EXCESS OF REVENUES OVER EXPENDITURES	87,343	81	(5,298)	82,126
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	4,915	169,527		174,442
Transfers to Other Funds	(169,527)	-	(4,915)	(174,442)
NET OTHER FINANCING SOURCES AND USES	(164,612)	169,527	(4,915)	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND USES	(77,269)	169,608	(10,213)	82,126
BEGINNING FUND BALANCE	245,639	377,940	10,213	633,792
PRIOR PERIOD ADJUSTMENT	13,805	-	-	13,805
ENDING FUND BALANCE	\$ 182,175	\$ 547,548	\$ -	\$ 729,723

See the accompanying notes to the financial statements

WOODLAND HILLS CITY, UTAH
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

**EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER
EXPENDITURES AND USES - TOTAL GOVERNMENTAL FUNDS** **\$ 82,126**

*Amounts reported for governmental activities in the statement of
activities are different because*

Property taxes will not be collected for several months after the City's
fiscal year end. They are not considered to be available revenues in
the governmental funds. Deferred property tax revenues increased by
this amount this year. **14,709**

Governmental funds report capital outlays as expenditures. In the
statement of activities the cost of those assets is allocated over their
estimated useful lives as depreciation expense. This is the amount by
which capital outlays exceeded depreciation in the current period. **1,554**

CHANGE IN NET ASSETS OF GOVERNMENTAL FUNDS **\$ 98,389**

See the accompanying notes to the financial statements

WOODLAND HILLS CITY, UTAH
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u> <u>Amounts</u>	<u>with Final</u> <u>Budget</u>
<u>REVENUES</u>				
Taxes	\$ 223,654	\$ 264,100	\$ 264,967	\$ 867
Licenses and Permits	121,800	70,815	60,442	(10,373)
Intergovernmental	54,150	52,137	46,132	(6,005)
Charges for Services	67,525	102,812	97,639	(5,173)
Interest	3,000	5,000	5,573	573
Miscellaneous	2,175	7,413	7,595	182
TOTAL REVENUES	472,304	502,277	482,348	(19,929)
<u>EXPENDITURES</u>				
General Government	142,645	143,919	127,560	16,359
Public Safety	242,270	149,772	123,417	26,355
Highways and Public Works	120,540	154,105	144,028	10,077
TOTAL EXPENDITURES	505,455	447,796	395,005	52,791
EXCESS OF REVENUES OVER EXPENDITURES	(33,151)	54,481	87,343	32,862
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers from Other Funds	59,789	16,000	4,915	11,085
Transfers to Other Funds	(18,640)	(193,795)	(169,527)	(24,268)
NET OTHER FINANCING SOURCES AND USES	41,149	(177,795)	(164,612)	(13,183)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND USES	7,998	(123,314)	(77,269)	19,679
FUND BALANCE ALLOCATION	(7,998)	123,314	-	(123,314)
EXCESS OF RESOURCES OVER CHARGES TO APPROPRIATIONS	\$ -	\$ -	\$ (77,269)	\$ (103,635)

See the accompanying notes to the financial statements

WOODLAND HILLS CITY, UTAH

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

JUNE 30, 2005

	Business-type Activities Enterprise Fund Water
ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 230,129
Accounts Receivable	33,700
TOTAL CURRENT ASSETS	263,829
NONCURRENT ASSETS	
Restricted Assets	
Cash and Cash Equivalents	89,749
Capital Assets	
Land	68,198
Water Shares and Rights	319,754
Improvements	2,575,711
Less Accumulated Depreciation	(1,113,238)
TOTAL NONCURRENT ASSETS	1,940,174
TOTAL ASSETS	2,204,003
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	16,548
Customer Deposits	11,600
Accrued Interest Payable	2,859
Interfund Note Payable	56,307
Current Portion of Long-Term Debt	27,842
TOTAL CURRENT LIABILITIES	115,156
NONCURRENT LIABILITIES	
Leases Payable	203,501
Bonds Payable	716,000
TOTAL NONCURRENT LIABILITIES	919,501
TOTAL LIABILITIES	1,034,657
NET ASSETS	
Investment in Capital Assets, Net of Related Debt	900,223
Designated	
Capital Improvements	102,647
Replacement of Capital Assets	23,333
Restricted	
Bond Requirements	17,904
Impact Fees	71,845
Unrestricted	53,394
TOTAL NET ASSETS	\$ 1,169,346

See the accompanying notes to the financial statements

WOODLAND HILLS CITY, UTAH
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Business-type Activities
	<u>Enterprise Fund</u>
	<u>Water</u>
<u>OPERATING REVENUES</u>	
Charges for Services	\$ 251,238
Connection Fees	8,000
Miscellaneous	<u>724</u>
TOTAL OPERATING REVENUES	<u>259,962</u>
<u>OPERATING EXPENSES</u>	
Salaries, Wages and Benefits	7,715
Production and Maintenance	127,014
Depreciation	<u>86,572</u>
TOTAL OPERATING EXPENSES	<u>221,301</u>
OPERATING INCOME	<u>38,661</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>	
Impact Fees	53,578
Interest Income	6,519
Interest Expense	<u>(38,019)</u>
NET NON-OPERATING REVENUES (EXPENSES)	<u>22,078</u>
CHANGE IN NET ASSETS	60,739
TOTAL NET ASSETS AT BEGINNING OF YEAR	<u>1,108,607</u>
TOTAL NET ASSETS AT END OF YEAR	<u>\$ 1,169,346</u>

See the accompanying notes to the financial statements

WOODLAND HILLS CITY, UTAH
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Business-type Activities
	<u>Enterprise Fund</u>
	<u>Water</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Receipts from Customers	\$ 261,298
Payments to Suppliers	(145,932)
Payments to Employees	<u>(7,715)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>107,651</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>	
Repayment of Interfund Note Payable	<u>(8,600)</u>
NET CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	<u>(8,600)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Impact Fees	53,578
Acquisition of Capital Assets	(17,076)
Bond and Note Principal Payments	(96,540)
Interest Expense	<u>(43,392)</u>
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(103,430)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Interest Income	<u>6,519</u>
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>6,519</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,140
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>317,738</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 319,878</u>

See the accompanying notes to the financial statements

WOODLAND HILLS CITY, UTAH
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Business-type Activities
	<u>Enterprise Fund</u>
	<u>Water</u>
<u>RECONCILIATION OF OPERATING</u>	
<u>INCOME TO NET CASH FLOWS FROM</u>	
<u>OPERATING ACTIVITIES</u>	
Operating Income	\$ 38,661
Adjustments	
Depreciation	86,572
Changes in Assets and Liabilities	
Accounts Receivable	1,336
Accounts Payable	(24,154)
Customer Deposits	<u>5,236</u>
NET CASH FLOWS FROM OPERATING	
ACTIVITIES	<u>\$ 107,651</u>

See the accompanying notes to the financial statements

WOODLAND HILLS CITY, UTAH
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Woodland Hills City, Utah (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant of the City's accounting policies.

Financial Reporting Entity

Woodland Hills City was incorporated under the laws of the State of Utah. The City is governed by an elected four-member Council and Mayor. The City provides municipal services under the following organizational structure:

General Government: Mayor and City Council, Finance Director, Treasurer
and Recorder

Public Safety: Police, Fire, Animal Control and Emergency Medical Services

Public Works: Streets, Water, and Sanitation

Government-wide and Fund Financial Statements

The government-wide financial statements (statement of net assets and statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and inter-governmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include 1) charges to customers who directly benefit from goods or services provided by a given function or activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

NOTE 1 - (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Financial resources used to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the City are reported as a reduction of the related liability, rather than as an expenditure in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter (within sixty days) to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Sales taxes, use taxes, franchise taxes, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are measurable as of the date levied (assessed) and are recognized as revenues when they become available. Available means when due, or past due, and received within the current period or collected soon enough thereafter to be used to pay liabilities of the current period. All other revenues are considered to be measurable and available only when the City receives cash.

The City reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The *capital projects fund* is used to account for the acquisition or construction of major capital facilities of the City (other than those financed by proprietary funds).

The *road capital projects fund* is used to account for the acquisition or construction of major capital facilities of the City (other than those financed by proprietary funds).

The City reports the following major proprietary fund:

The *water fund* accounts for the activities of the City's water production, treatment and distribution operations.

Activities of this fund include administration, operations and maintenance of the water system, billing and collection. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for proprietary fund debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted, if necessary, to ensure the integrity of the funds.

NOTE 1 - (CONTINUED)

The City applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Assets, Liabilities and Fund Equity

A. Cash and cash equivalents

Cash includes cash on hand, demand deposits with banks and other financial institutions, and deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts. City policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the Utah Public Treasurer's Investment Fund (Fund) and other investments allowed by the State of Utah's Money Management Act. Investments are reported at fair value. The Fund operates in accordance with state laws and regulations. The reported value of the City's cash in the Fund is the same as the fair value of the Fund shares.

Cash equivalents are defined as short-term highly liquid investments that are both readily convertible to known amounts of cash and so near maturity that they present insignificant risk of changes in value because of changes in interest rates. Investments with maturities of three months or less, when purchased, meet this definition.

B. Receivables and payables

Activity between fund that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to or due from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government wide financial statements as "internal balances".

C. Restricted assets

Cash which is restricted to a particular use due to statutory, budgetary or bonding requirements is classified as restricted cash on the statement of net assets and on the balance sheets. Restricted cash would be spent first and then unrestricted resources would be used when the restricted funds are depleted.

D. Capital assets

Capital assets, which include land, buildings, improvements, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost, if purchased, and at fair market value at the date of the gift, if donated.

NOTE 1 - (CONTINUED)

Major additions are capitalized, while maintenance and repairs which do not improve or extend the life of the respective assets are charged to expense.

Capital asset depreciation is recognized using the straight-line method over the estimated useful lives as follows:

<u>Classification</u>	<u>Range of Lives</u>
Buildings and Structures	25-50 years
Improvements and Infrastructure	10-50 years
Machinery and Equipment	5-15 years

E. Long-term liabilities

In the government-wide financial statements, and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are recorded net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and are amortized over the life of the related debt. In the fund financial statements, governmental fund types recognize bond premium and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

F. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Designations of unreserved fund balances are not required by law or accounting principles, but are further classifications of fund equity to identify funds which are earmarked by the City's management for specific purposes. These represent tentative management plans that are subject to change.

G. Net assets

Net assets represents the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

NOTE 1 - (CONTINUED)

Inter-Fund Transactions

During the course of normal operations, the City has transactions between funds to subsidize operations in certain funds, to allocate administrative costs, to construct assets, to distribute grant proceeds, etc. . These transactions are generally reflected as operating transfers, which are transfers from a fund authorized to receive certain revenues to the fund through which the resources are to be expended.

Deferred Revenue

Property taxes due November 30, 2005 and unpaid from 2004 are shown as deferred revenue.

Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities in the government-wide statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

Capital Asset Differences

When capital assets (land, buildings, improvements and equipment) are purchased or constructed for use in governmental fund activities, the costs of those assets are reported as expenditures in the governmental funds. However, those costs are reported as capital assets in the statement of net assets. The details of these differences are presented below:

Land	\$ 3,459,151
Construction in Progress	6,261
Buildings and Structures	216,397
Improvements and Infrastructure	2,006,215
Machinery and Equipment	136,954
Less Accumulated Depreciation	(776,964)
Net Capital Asset Difference	<u>\$ 5,048,014</u>

NOTE 2 - (CONTINUED)

Other Long-Term Asset Differences

Property taxes due in November 2005 are reported as deferred revenues in the governmental fund balance sheet. However, they are reported as current year revenues in the statement of net assets. The details of these differences are presented below:

Property taxes collectible in November 2005	\$ <u>117,363</u>
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Explanation of certain differences between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund financial statements include a reconciliation between changes in fund balances in the governmental funds and changes in net assets in the government-wide statement of activities. This difference primarily results from the long-term economic focus of the statement of activities versus the current financial resource focus of the governmental fund financial statements.

Capital Outlay and Depreciation Differences

Capital outlays are reported as expenditures in the statement of revenues, expenditures and changes in fund balances. They are reported as capital assets, with the costs allocated over the useful lives of the assets, as depreciation, in the statement of activities. The details of these differences are reported below:

Capital Outlay	\$ 59,523
Depreciation Expense	<u>(57,969)</u>
Net Difference	\$ <u>1,554</u>

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Prior to the first regularly scheduled meeting of the City Council in May, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and proposed sources of revenues.

Between May 1 and June 22, the City Council reviews and adjusts the proposed budget. On or before June 22, a public hearing is held and the budget is legally adopted through passage of a resolution, unless a property tax increase is proposed. If a property tax increase is proposed, a hearing must be held on or before August 17, which does not conflict with other taxing entities that have proposed a property tax increase. At this time the final balanced budget is adopted.

Under Utah State law, the City's budget establishes maximum legal authorization for expenditures during the fiscal year. Expenditures are not to exceed the budgeted amounts, including revisions, except as allowed by the code for certain events.

The Mayor, in conjunction with the appropriate department head, has the authority to transfer budget appropriations within and between any divisions of any budgetary fund. The City Council has the authority to transfer budget appropriations between individual budgetary funds by resolution.

NOTE 3 - (CONTINUED)

A public hearing must be held to increase the total appropriations of any one governmental fund type; however, after the original public hearing, operating and capital budgets of proprietary fund types may be increased by resolution without an additional hearing.

Annual budgets for the general fund, all debt service funds and capital projects funds were legally adopted by the City and are prepared on the modified-accrual method of accounting.

Although Utah State law requires the initial preparation of budgets for all City funds (both governmental and proprietary), it only requires the reporting of comparisons of actual results to budgets for the general fund and any major special revenue funds.

Tax Revenues

Property taxes are collected by the County Treasurer and remitted to the City in two to three installments in November, December, and a final settlement in the first quarter of the calendar year. Taxes are levied and are due and payable on November 1st and are delinquent after November 30th of each year, at which time they become liens if not paid. An accrual of uncollected current and prior year's property taxes beyond that which was received within 60 days after the fiscal year end has not been made, as the amounts are not deemed to be material.

Sales taxes are collected by the Utah State Tax Commission and remitted to the City monthly. An accrual has been made for all taxes received by the State for the period ended June 30th and thus due and payable to the City.

Franchise taxes are charged to various utility companies doing business with the City including telephone, cable television, gas utility, and electric utility companies. The fees are remitted on a monthly, quarterly, or annual basis. An accrual has been made for all fees due and payable to the City at June 30th.

NOTE 4 - DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. Cash includes amounts in demand deposits as well as time deposits. Investments are stated at cost or amortized cost, which approximates fair value. Each fund's portion of this pool is displayed on the combined balance sheet as "Cash and Cash Equivalents" which also includes cash accounts that are separately held by several of the City's funds. Deposits are not collateralized nor are they required to be by State statute.

The City follows the requirements of the Utah Money Management Act (Utah Code Annotated 1953, Section 51, Chapter 7) in handling its depository and temporary investment transactions. This law requires the depositing of City funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Deposits

At June 30, 2005, the carrying amount and the bank balance of the City's deposits was \$3,288 and \$80,718, respectively.

NOTE 4 - (CONTINUED)

Investments

The Money Management Act also defines the types of securities allowed as appropriate temporary investments for the City and the conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers.

Statutes authorize the City to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers acceptances; obligations of the United State Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund (PTIF).

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated, 1953*, as amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains and losses - net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

Certain assets are restricted by provisions of the revenue bond resolutions. The resolutions also describe how these restricted assets may be deposited and invested. Restricted cash may only be deposited in state or national banks meeting certain minimum net worth requirements or invested in securities representing direct obligations of or obligations guaranteed by the U.S. government, agencies of the U.S. government, any state within the territorial United States of America; or repurchase agreements or interest bearing time deposits with state or national banks meeting certain minimum net worth requirements; or certain other investments.

As of June 30, 2005, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
State of Utah Public Treasurer's Investment Fund	<u>\$1,019,421</u>	<u>\$ 947,173</u>	<u>\$ 46,206</u>	<u>\$ 11,956</u>	<u>\$ 14,086</u>

NOTE 4 - (CONTINUED)

The deposits and investments described above are included on the statement of net assets as per the following reconciliation:

Deposits	\$ 3,288
Investments	<u>1,019,421</u>
Total	<u>\$ 1,022,709</u>
Cash and Cash Equivalents	\$ 915,112
Restricted Cash and Cash Equivalents	<u>107,597</u>
Total	<u>\$ 1,022,709</u>

NOTE 5 - RECEIVABLES

Accounts receivable at June 30, 2005 are presented in the schedule below.

Property taxes are levied on January 1 of 2005, are due in November of 2005, and are budgeted for the 2005 fiscal year. Even though they are not intended to fund the 2005 fiscal year, they must be recognized as an asset because the City has an enforceable claim to the revenue. The property taxes that have been remitted to the City within 60 days of the end of the current fiscal period have been recognized as revenue. The uncollected, measurable amounts have been accrued as deferred revenue.

Franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other items are considered to be measurable and available only when cash is received by the City.

The following is a summary of receivables at June 30, 2005:

	Governmental Activities	Business-type Activities	Total
Accounts Receivable	\$ 5,702	\$ 33,700	\$ 39,402
Property Taxes Receivable	142,122	-	142,122
Class C Road Receivable	<u>9,292</u>	<u>-</u>	<u>9,292</u>
Total	<u>\$ 157,116</u>	<u>\$ 33,700</u>	<u>\$ 190,816</u>

NOTE 6 - CAPITAL ASSETS

The following schedule presents the capital activity of the governmental activities for the year ended June 30, 2005.

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets not being Depreciated				
Land	\$ 3,459,151	\$ -	\$ -	\$ 3,459,151
Construction in Progress	-	6,261	-	6,261
Capital Assets being Depreciated				
Buildings and Structures	216,397	-	-	216,397
Improvements and Infrastructure	1,992,552	13,663	-	2,006,215
Machinery and Equipment	<u>97,355</u>	<u>39,599</u>	-	<u>136,954</u>
Total	5,765,455	59,523	-	5,824,978
Less Accumulated Depreciation	<u>(718,995)</u>	<u>(57,969)</u>	-	<u>(776,964)</u>
Governmental Activities Capital Assets, Net	<u>\$ 5,046,460</u>	<u>\$ 1,554</u>	<u>\$ -</u>	<u>\$ 5,048,014</u>

The following schedule presents the capital activity of the business-type activities for the year ended June 30, 2005.

<u>Business-type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets not being Depreciated				
Land	\$ 68,198	\$ -	\$ -	\$ 68,198
Water Shares and Rights	319,754	-	-	319,754
Capital Assets being Depreciated				
Improvements and Infrastructure	<u>2,558,635</u>	<u>17,076</u>	-	<u>2,575,711</u>
Total	2,946,587	17,076	-	2,963,663
Less Accumulated Depreciation	<u>(1,026,666)</u>	<u>(86,572)</u>	-	<u>(1,113,238)</u>
Business-type Activities Capital Assets, Net	<u>\$ 1,919,921</u>	<u>\$ (69,496)</u>	<u>\$ -</u>	<u>\$ 1,850,425</u>

Depreciation was charged to the functions/programs of the primary government as follows:

Government Activities	
General Government	\$ 1,669
Public Safety	12,424
Highways and Public Works	<u>43,876</u>
Total Depreciation Expense-Governmental Activities	<u>\$ 57,969</u>
Business-type Activities	
Water	<u>\$ 86,572</u>

NOTE 7 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Accounts Payable	\$ 41,468	\$ 16,548
Developer Bonds Payable	27,700	-
Customer Deposits	-	11,600
Accrued Interest Payable	-	<u>2,859</u>
Total Accounts Payable and Accrued Liabilities	<u>\$ 69,168</u>	<u>\$ 31,007</u>

NOTE 8 - CAPITAL LEASES

The City entered into a lease/purchase agreement with Zions First National Bank to finance the construction of a water booster station. This lease qualifies as a capital lease for accounting purposes and, therefore, has been recorded as a capital asset at the present value of the future minimum lease payments as of the inception date, after the completion of the project, in the water fund. This agreement contains a fiscal non-funding clause, which give the City the option of terminating the agreement at the end of any fiscal year. In the opinion of City management, the likelihood of this clause being exercised is remote.

The following is a schedule of yearly future lease payments on the capital lease and the present value of the net minimum lease payments on June 30, 2005:

<u>Year Ending June 30,</u>	<u>Amount</u>
2006	\$ 35,767
2007	35,767
2008	35,767
2009	35,767
2010	35,767
2011-2013	<u>89,415</u>
Total Minimum Lease Payments	268,250
Interest Portion	<u>(37,907)</u>
Present Value of Net Minimum Lease Payments	230,343
Amount Due Within One Year	<u>(26,842)</u>
Amount Due in more than One Year	<u>\$ 203,501</u>

NOTE 9 - LONG-TERM DEBT

The following is a summary of changes in long-term debt of the City for the year ended June 30, 2005:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Business-type Activities</u>					
Revenue Bonds					
1991 Water	\$ 70,758	\$ -	\$ (70,758)	\$ -	\$ -
1996 Parity Water	717,000	-	-	717,000	1,000
Capital Leases					
2003 Booster Station	<u>256,125</u>	<u>-</u>	<u>(25,782)</u>	<u>230,343</u>	<u>26,842</u>
	<u>\$ 1,043,883</u>	<u>\$ -</u>	<u>\$ (96,540)</u>	<u>\$ 947,343</u>	<u>\$ 27,842</u>

Long-term debt and obligations payable at June 30, 2005 were as follows:

	<u>Interest Rate</u>	<u>Maturity Dates</u>	<u>Current Portion</u>	<u>Long-term Balance</u>
<u>Business-type Activities</u>				
Bonds Payable				
Water Revenue Bonds, Series 1996 (original amount--\$717,000)	3.0%	2020	\$ 1,000	\$ 716,000
Leases Payable				
Booster Station (original amount-- \$281,830)	3.9%	2013	<u>26,842</u>	<u>203,501</u>
Total Business-type Activities Long-term Debt			<u>\$ 27,842</u>	<u>\$ 919,501</u>

Principal and interest requirements to retire the City's long-term obligations are as follows:

	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 27,842	\$ 30,435
2007	29,946	29,301
2008	32,095	28,092
2009	65,291	26,805
2010	68,537	24,510
2011-2015	345,632	87,164
2016-2020	<u>378,000</u>	<u>35,070</u>
	<u>\$ 947,343</u>	<u>\$ 261,377</u>

NOTE 10 - CONDUIT DEBT OBLIGATIONS

The City assisted a Special Improvement District to obtain bonds for the Thousand Oaks Project. The bonds are secured and are solely payable by the property owners. Neither the City, the State or any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2005, the outstanding principal balance was \$995,000.

NOTE 11 - RESERVED AND DESIGNATED FUND EQUITY

The Class "C" Roads allotment from the state excise tax is reserved for construction and maintenance of City streets and roads. The City's bond covenants require certain reservations of retained earnings in the water fund. Utah State statute requires unexpended impact fees held at year-end to be reserved for future expansion in the charging department or fund. Other amounts have been designated for future capital improvement projects.

NOTE 12 - INTERFUND RECEIVABLES AND PAYABLES

The City has the following interfund loans outstanding at June 30, 2005:

<u>Payable Fund</u>	<u>Amount</u>
Water	<u>\$ 56,307</u>
<u>Receivable Fund</u>	
General	<u>\$ 56,307</u>

NOTE 13 - OPERATING TRANSFER RECONCILIATION

The operating transfers between funds during the 2005 fiscal year are as follows:

	<u>In</u>	<u>Out</u>
General Fund	\$ 4,915	\$ 169,527
Capital Projects Fund	169,527	-
Road Capital Projects Fund	-	4,915
	<u>\$ 174,442</u>	<u>\$ 174,442</u>

NOTE 14 - RISK MANAGEMENT

Woodland Hills City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City joined together with other governments in the State of Utah to form the Utah Local Governments Trust (ULGT), a public entity risk pool currently operating as a common risk management and insurance program for Utah State governments. The City pays an annual premium to ULGT for its general insurance coverage.

The City also carries comprehensive general liability insurance coverage through a commercial insurance company. Settled claims from this risk type have not exceeded coverage in any of the past three fiscal years.

NOTE 15 - PRIOR PERIOD ADJUSTMENTS

A prior period adjustment was recorded in 2005 to record the fourth quarterly class c road installment for 2004 in the proper period. A prior period adjustment was recorded in the 2005 government-wide financial statements to reflect deferred revenue from 2004 property taxes.

STATE LEGAL COMPLIANCE REPORT

**GREG OGDEN, CPA
1761 EAST 850 SOUTH
SPRINGVILLE, UT 84663
(801)489-8408**

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

November 28, 2005

**The Honorable Mayor
Members of the City Council
City of Woodland Hills, Utah**

Council Members:

I have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund, which collectively comprise the basic financial statements of the City of Woodland Hills, Utah, as of and for the year ended June 30, 2005 and have issued my report thereon dated November 28, 2005. As part of my audit, I have audited the City of Woodland Hills's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2005. The City received the following major State assistance programs from the State of Utah:

**"C" Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)**

The City also received the following nonmajor grant which is not required to be audited for specific compliance requirements: (However this program was subject to testwork as part of the audit of the City's financial statements.)

First Responders Grant

My audit also included testwork on the City's compliance with the following general compliance requirements identified in the State of Utah Compliance Audit Guide, including:

**Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Truth in Taxation and Property
Tax Limitations
Class C Road Funds**

**Other General Issues
Uniform Building Code Standards
Liquor Law Enforcement
Justice Court
Impact Fees
Asset Forfeiture**

The management of the City of Woodland Hills is responsible for the City's compliance with all compliance requirements identified above. My responsibility is to express an opinion on compliance with those requirements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. I believe that my audit provides a reasonable basis for my opinion.

The results of my audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying management letter. I considered these instances of noncompliance in forming my opinion on compliance, which is expressed in the following paragraph.

In my opinion, the City of Woodland Hills, Utah, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2005.


Greg Ogden,
Certified Public Accountant

GOVERNMENT AUDITING STANDARDS REPORT

**GREG OGDEN, CPA
1761 EAST 850 SOUTH
SPRINGVILLE, UT 84663
(801)489-8408**

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

November 28, 2005

**Honorable Mayor
Members of the City Council
City of Woodland Hills, Utah**

Council Members:

I have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund, which collectively comprise the basic financial statements of the City of Woodland Hills, Utah, as of and for the year ended June 30, 2005, which collectively comprise Woodland Hills Utah's basic financial statements and have issued my report thereon dated November 28, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Woodland Hills City, Utah's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect Woodland Hills City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe none of the reportable conditions mentioned above is a material weakness.

Compliance

As part of obtaining reasonable assurance about whether the City of Woodland Hills, Utah's financial statements are free of material misstatements, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the Audit Committee, others within the organization, management, and the City Council and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Greg Ogden CPA". The signature is fluid and cursive, with the "CPA" part being more distinct and written in a slightly larger, bolder script than the name.

Greg Ogden,
Certified Public Accountant

CITY OF WOODLAND HILLS

MANAGEMENT LETTER
JUNE 30, 2005

**GREG OGDEN, CPA
1761 EAST 850 SOUTH
SPRINGVILLE, UT 84663
(801)489-8408**

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

November 25, 2005

**The Honorable Mayor
Members of the City Council
City of Woodland Hills, Utah**

Council Members:

The primary purpose of my audit of the financial statements of the City of Woodland Hills, Utah for the year ended June 30, 2005, was to enable me to form an opinion as to the financial position of the City at that date and the results of its operations for the year then ended. Part of my continuing professional responsibility to my clients is to offer constructive suggestions relative to the City's internal control structure and other matters that come to my attention during my audit of your financial statements. Your internal control structure is extremely important because it is the principal safeguard against irregularities which an audit may not disclose.

Enclosed for your information and consideration are my comments and suggestions relating to internal accounting controls and other general matters which came to my attention during my audit of the financial statements. I have not performed any auditing procedures beyond the date of my opinion on the financial statements; accordingly, this letter is based on my knowledge as of that date and should be read with that understanding.

In those instances where the need for improvement of internal accounting controls may be indicated, I have satisfied myself by extension of audit tests and review that the indicated weaknesses have not had a significant effect upon the financial statements for the year ended June 30, 2005. Since the purpose of my audit was not to make an intensive study of the matters commented upon, additional investigation may be required before acting on my suggestions.

My suggestions deal exclusively with operational, accounting, and recordkeeping systems and procedures, and should not be regarded as a reflection on the integrity or capabilities of anyone in your organization.

I appreciate the cooperation and assistance I have received from the City's personnel in connection with my audit and in developing these recommendations.

This report is intended solely for the use of the management of the City of Woodland Hills. However, this report is a matter of public record and its distribution is not limited.

I would be pleased to discuss any of these matters with you and your representatives at your convenience and, if desired, to assist you in implementing any of these suggestions.


**Greg Ogden,
Certified Public Accountant**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

STATE COMPLIANCE FINDINGS

FINDING - GENERAL FUND BALANCE EXCEEDS LIMIT

The State requires cities to maintain their general fund balances between 5% and 18% of the budgeted general fund revenues. For the 2005 fiscal year, Woodland Hills was required to maintain their general fund balance between \$24,000 and \$87,000. The actual unrestricted general fund balance at the end of the 2005 fiscal year was \$164,327.

RECOMMENDATION

You should find a use for the excess general fund balance during the 2006 fiscal year. It can either be used for a 2006 project or it can be moved to a capital project fund and earmarked for a future project.

RESPONSE - WOODLAND HILLS CITY

We will open and amend our budget to spend the amount necessary to ensure that the fund balance is within the limits required by the State.

FINDING - NO WRITTEN PURCHASING POLICY MANUAL

All governments are required to adopt written purchasing policies. The City is then required to enforce the policies adopted.

RECOMMENDATION

The City may want to consider adopting the state purchasing policy for small cities and towns. I recommend you then create a written manual describing those policies.

RESPONSE - WOODLAND HILLS CITY

We investigated the purchasing policy manual recommended. We adopted the necessary policies and made a manual.

INTERNAL CONTROL FINDINGS

FINDING - VOIDED CHECKS

In my testing of your expenditures, I noted that voided checks did not have the signature portion mutilated.

RECOMMENDATION

I recommend that you cut the signature section from all voided checks to ensure that they will not be misused.

RESPONSE - WOODLAND HILLS CITY

The City will now cut the signature portion out of any voided checks.

FINDING - PRESIGNED CHECKS

In discussing internal controls with your finance director, he informed me that checks to the post office are occasionally presigned. The payee and date sections of the check are completed, but the amount is left blank.

RECOMMENDATION

I recommend that you implement a policy not to presign checks. You may want to consider using petty cash for small amounts of postage. If you are purchasing large quantities of stamps the amount should be determined and completed prior to signing the check.

RESPONSE - WOODLAND HILLS CITY

The City will not sign checks until the check is completely filled out.

FINDING - RECURRING ENTRIES

During the 2005 fiscal year, the City started posting recurring entries automatically through the Caselle accounting system. These entries were posted even if the underlying transaction did not always take place.

RECOMMENDATION

I recommend that no recurring entries be automatically posted. You should only post these entries if the underlying transaction has actually occurred.

RESPONSE - WOODLAND HILLS CITY

We will fix the computer program so the recurring entries will no longer happen.

FINDING - ALL PRIOR AUDIT ADJUSTING ENTRIES NOT POSTED

I discovered that the City's opening balances did not match the ending balances reported in the 2004 audit report. Further investigation uncovered the fact that all of the prior auditor's adjusting entries had not been posted.

RECOMMENDATION

Management is responsible for the accuracy of the financial statements. If you disagree with any audit adjusting entries, those differences should be resolved prior to issuance of the financial statements. All audit adjusting entries which have been agreed upon should be posted.

RESPONSE - WOODLAND HILLS CITY

The City will post all adjusting entries from the auditors.

FINDING - COUNCIL NOT PAID WAGES

The members of the City Council receive a stipend rather than wages. The Internal Revenue Service (IRS) has been targeting this issue in recent years. All of the Cities and Towns which I audit pay their council members a wage with the required State and Federal taxes withheld. If the IRS were to audit your city and find that you should have paid wages rather than a stipend, the City would be liable for all of the back taxes which should have been paid.

RECOMMENDATION

I recommend that with the start of 2006, the City change its policy regarding payments to the City Council. I recommend that all payments to City Council members be reported as wages.

RESPONSE - WOODLAND HILLS CITY

We will take the appropriate actions.